

## Internal Revenue Service

Number: **201510025**

Release Date: 3/6/2015

Index Number: 108.01-01, 108.03-00

Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

ID No.

Telephone Number:

Refer Reply To:

CC:ITA:B04

PLR-120001-14

Date:

November 06, 2014

## LEGEND

Parent	=
Corp A	=
Country Z	=
Act	=
BkCourt	=
Corp B	=
Corp C	=
Corp D	=
Corp E	=
Corp F	=
Corp G	=
Date 1	=
Date 2	=
Date 3	=
Date 4	=
Date 5	=
\$ <u>r</u>	=
\$ <u>s</u>	=
\$ <u>t</u>	=

Dear :

This is in reply to your letter requesting a letter ruling that as a result of the recognition and approval of foreign proceedings<sup>1</sup> under the Country Z Act pursuant to chapter 15 of title 11 of the United States Bankruptcy Code by BkCourt, a U.S. Bankruptcy Court,

---

<sup>1</sup> See 11 U.S.C. § 101(23) ("Foreign proceeding" is defined as a "collective judicial or administrative proceeding in a foreign country, including an interim proceeding, under a law relating to insolvency or adjustment of debt in which proceeding the assets and affairs of the debtor are subject to control or supervision by a foreign court, for the purpose of reorganization or liquidation.")

Debtors may exclude from income under § 108(a)(1)(A) of the Internal Revenue Code discharge of indebtedness income arising from restructuring of the U.S. Debt.

## FACTS

Parent is a domestic corporation and is the wholly-owned subsidiary of Corp A, a Country Z corporation. Parent is the parent corporation of a U.S. affiliated group made up of Corp B, Corp C<sup>2</sup>, Corp D, Corp E, and Corp F (the Debtors); however, Parent is not a Debtor and is not a participant in the insolvency proceedings. Parent's direct and indirect subsidiaries are

Certain debt obligations of Corp A's direct and indirect affiliates and subsidiaries, including the Debtors, forced a restructuring under Country Z insolvency proceedings. All of the Debtors are under the jurisdiction of the Country Z court.

As of Date 2, approximately \$   (including accrued interest of \$  ) of the original outstanding balance remained owing from the Debtors on the U.S. Debt. Pursuant to a Restructuring Agreement between Corp A and the lenders, the U.S. Debt was amended and restated. You represent that approximately \$   of the U.S. Debt was forgiven.<sup>3</sup>

---

2

3

<sup>4</sup> See 11 U.S.C. § 1502(7) ("Recognition" means the entry of an order granting recognition of a foreign main proceeding or foreign nonmain proceeding under this chapter.")

5

6

## LAW AND ANALYSIS

Section 61(a)(12) provides that gross income includes income from the discharge of indebtedness.

Section 108(a)(1)(A) provides that gross income does not include any amount which (but for this subsection) would be includible in gross income by reason of the discharge (in whole or in part) of indebtedness of the taxpayer if the discharge occurs in a title 11 case.

Section 108(b)(1) provides that the amount excluded from gross income under § 108(a)(1)(A) shall be applied to reduce the tax attributes of the taxpayer as provided in § 108(b)(2).

Section 108(d)(2) provides that the term “title 11 case” means a case under title 11 of the United States Code (relating to bankruptcy), but only if the taxpayer is under the jurisdiction of the court in such case and the discharge of indebtedness is granted by the court or is pursuant to a plan approved by the court.

---

5

6

To summarize the applicable law, § 108(a)(1)(A) excludes from gross income amounts that would otherwise be included in gross income due to the discharge of indebtedness if the discharge occurs in a title 11 case but only if (i) the taxpayer is under the jurisdiction of the court and (ii) the discharge of indebtedness is granted by the court or pursuant to a plan approved by the court.

In this case, discharge of indebtedness on the U.S. Debt meets the two requirements for it to qualify as a discharge occurring in a title 11 case for purposes of § 108(a)(1)(A). First, the Country Z court and BkCourt have concurrent jurisdiction over the Debtors.

Second, under these facts, the discharge of indebtedness was granted pursuant to a plan approved by BkCourt.

## CONCLUSION

Based strictly on each of the facts submitted and representations made, the Debtors may exclude from gross income under § 108(a)(1) cancellation of indebtedness income arising from restructuring of the U.S. Debt.

Except as expressly provided herein, we do not express or imply an opinion concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. For example, we do not express or imply any opinion concerning the amount of the Debtors' U.S. Debt that was discharged or the effect of a Chapter 15 proceeding under § 108(a)(1)(A) in cases other than the facts and representations of this letter ruling.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Michael J. Montemurro  
Chief, Branch 4  
Office of Associate Chief Counsel  
(Income Tax & Accounting)

cc: